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U.S. PATENT APPLICATION

for

MORTGAGE PRODUCT

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MORTGAGE PRODUCT

BACKGROUND OF THE INVENTION

FIELD OF THE INVENTION

[0001] This invention relates to mortgage products, and related systems and methods, in which a lender provides loan funds to a purchaser or refinancer of a home, and the home purchaser/refinancer is obligated to repay the loan funds over time by way of a series of loan payments.

DESCRIPTION OF RELATED ART

[0002] The purchase of a home is typically the largest investment that a person makes. Because of the amount of money required to purchase a home, most home buyers do not have sufficient assets to purchase a home outright on a cash basis. Therefore, lenders such as banks, credit unions, and so on, offer mortgage products to potential home buyers. Generally, a mortgage product comprises an obligation for a lender to provide loan funds and an obligation for a borrower to repay the loan funds. The lender's obligation commits the lender (mortgagee) to provide loan funds sufficient for the borrower (mortgagor) to purchase the home. In exchange for the loan funds, the borrower's obligation commits the borrower to repay the loan funds by way of a series of loan payments. The obligations of the borrower and lender are typically set forth in a document called a promissory note. If the borrower fails to repay the loan funds, the lender has a legal claim against the home which allows the lender to sell the property and use the proceeds to pay off the loan balance (foreclosure). This security interest held by the lender is typically set forth in a document called a mortgage or deed of trust. The

mortgage product therefore allows the home buyers to purchase a home and pay for the home over time, while also ensuring that the lender is repaid.

[0003] In addition to offering mortgage products to potential home buyers, lenders also offer such mortgage products to existing home buyers for the purpose of refinancing. Refinancing refers to the process of paying off one loan with the proceeds from a new loan using the same property as security. For the borrower, the purpose of the refinancing is usually to obtain a lower interest rate and/or to obtain cash for other purposes by reducing equity in the home. Herein, loan funds used for "financing" housing includes both loan funds used for purchasing housing and loan funds used for refinancing housing.

[0004] Often, a borrower may move several times during the course of their lives. Each move may be accompanied by a sale of existing housing and the purchase of new housing. The sale of the existing housing is generally accompanied by satisfaction of the mortgage for the existing housing. The purchase of new housing is generally accompanied by the creation of a new mortgage for the new housing. However, creation of a new mortgage is often associated with substantial miscellaneous costs. Further, the new mortgage must be obtained at the current market mortgage loan interest rate, which may be higher than the mortgage loan interest rate that the borrower paid for the existing mortgage.

[0005] A need therefore exists for mortgage products, methods and systems which make it possible for borrowers to transfer an existing mortgage to a new property.

SUMMARY OF THE INVENTION

[0006] According to a first preferred embodiment, a mortgage product is configured to provide a security interest in housing purchased by a borrower. The mortgage product includes an obligation for a lender to provide loan

funds to the borrower for financing the purchase of a first housing and an obligation for a borrower to repay the loan funds. The obligation to repay the loan funds requires that the borrower repay the loan funds by way of a series of loan payments over a mortgage loan term. The obligation is secured by a first lien on the first housing. The mortgage product further includes a portability option permitting the borrower to apply the first lien to at least a second housing and remove the first lien from the first housing and a mortgage rate configured to be increased at defined rate increase points during the mortgage loan term.

[0007] According to a second preferred embodiment, a loan method, includes receiving information pertaining to a desired loan from a first computer system, the receiving step being performed by a second computer system. The information pertains to a desired loan amount and a desired payment period. The desired loan amount pertains to loan funds for financing the purchase of a first housing. The loan method further includes determining loan eligibility at the second computer system for a mortgage product that includes the desired loan amount, the desired payment term, a plurality of loan payments to be paid over a mortgage loan term, a portability option permitting a borrower to transfer a first lien of the loan from the first housing to a second housing, and a mortgage rate configured to be increased at defined rate increase points during the mortgage rate term. Further, the loan method includes transmitting a response to the first computer system indicating whether a borrower meets eligibility criteria for the mortgage product, the transmitting step being performed by the second computer system.

[0008] According to a third preferred embodiment, a loan method includes receiving information at a first computer system. The information is transmitted from a second computer system and pertains to a mortgage being purchased from an entity associated with the second computer system. The loan method further includes storing the information at the first computer system pertaining to the mortgage being purchased, the information including

information indicating that the mortgage is subject to a portability option permitting a borrower to transfer a first lien of the loan from the first housing to a second housing and a mortgage rate configured to be increased at defined rate increase points during the mortgage rate term.

[0009] Other features and advantages of the present invention will become apparent to those skilled in the art from the following detailed description and accompanying drawings. It should be understood, however, that the detailed description and specific examples, while indicating preferred embodiments of the present invention, are given by way of illustration and not limitation. Many modifications and changes within the scope of the present invention may be made without departing from the spirit thereof, and the invention includes all such modifications.

BRIEF DESCRIPTION OF THE DRAWINGS

[0010] Fig. 1 is a block diagram showing a mortgage product according to one preferred embodiment;

[0011] Fig. 2 is a cash flow diagram showing operation of the mortgage product of Fig. 1;

[0012] Fig. 3 is a diagram showing relationships between various entities that may use the mortgage product of Fig. 1;

[0013] Fig. 4 is a computer system including several computer subsystems associated with the entities of Fig. 3 when using the mortgage product of Fig. 1; and

[0014] Figs. 5-7 are flowcharts showing loan processes that are at least partially implemented using the computer system of Fig. 4.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

[0015] Referring now to Fig. 1, a mortgage product 10 according to one embodiment is illustrated. The mortgage product 10 comprises an obligation for a lender to provide loan funds 12, an obligation for a borrower to repay the loan funds 14, a portability option 16, and a mortgage loan interest rate 18. Other and/or different clauses, features, or benefits may also be included.

[0016] The lender's obligation 12 commits the lender to provide loan funds for financing a home, such as in the case of a home purchase, home refinancing, home equity loan (including lines of credit and closed end), loan modification (in which loan terms are altered), and so on. The lender may be, for example, a bank, credit union, or other financial institution. The loan funds are transferred to the seller of the home, such as a prior owner or a builder, or to a previous note holder in the case of a refinancing. Given that the borrower typically makes an initial down payment on the home, the loan funds are typically less than the price of the home. Herein, the terms "home" and "housing" are used broadly to refer to single and multi-family houses, condominiums, and other locations where people may live and proportional interests therein. Terms of the lender's obligation (e.g., amount of loan funds, date loan funds are to be made available, and so on) are preferably set forth in the one or more mortgage documents which are executed by the borrower.

[0017] The borrower's obligation 14 is an obligation to repay the loan funds by a series of loan/mortgage payments over the mortgage loan term. The mortgage loan term in the period of time during which the borrower makes payments. Standard mortgage loan terms are 30 year term or 15 year terms, although the payments may be made over any term as defined in mortgage product 10. The original balance of money lent can be referred to as the principal. The remaining principal balance on a loan, which does not include interest, can be referred to as the outstanding principal balance. As described in greater detail below, a co-borrower or joint borrower may also be subject to

the borrower's obligation to repay the loan funds 14. The borrower's obligation is enforceable by the lender by way of a lien (or legal claim) against the home which, if the borrower does not make timely payments, allows the lender to sell the property and use the proceeds to pay off the loan balance (foreclosure). The lender or other beneficiary of the borrower's obligation is commonly referred to as the "note holder." Terms of the borrower's obligation (e.g., interest terms, monthly payment amounts) along with other obligations pertinent to the borrower (e.g., obligations to pay taxes, maintain the property obligations, maintain hazard insurance on the property, and so on) are preferably set forth in the one or more mortgage documents which are executed by the borrower.

[0018] As previously noted, a mortgage payment typically comprises principal, interest, and possibly other portions. The principal portion is a principal payment which is applied to reduce the outstanding principal balance. The interest portion is an interest payment amount which is determined based on an interest rate set forth in the promissory note and the outstanding principal balance. Interest is consideration paid for the use of money, usually expressed as an annual percentage. Additional portions may also be included, for example, escrow items such as a property tax, mortgage insurance, and homeowner's insurance among other items. Herein, "escrow" refers to any amount other than principal and interest, regardless whether such amount is accumulated in any sort of account.

[0019] The portability option 16 permits the borrower to transfer the mortgage from a first housing to a second housing. For example, a borrower living in a condominium may desire to move to a single-family home and transfer an existing mortgage on the condominium to the single family home during the move. Preferably, portability option 16 is further configured such that a borrower may transfer the mortgage as often as desired for the purchase of a third home, a fourth home, etc.

[0020] According to an exemplary embodiment, the borrower owning a first housing secured by the mortgage is able to sell the first housing and purchase a second housing by transferring the mortgage to the second housing by exercising portability option 16. Accordingly, the funds obtained from the sale of the first housing are used to purchase the second housing and not provided to a lender in satisfaction of the mortgage. Further, the lien on the first housing is extinguished and replaced with a lien on the second housing. The borrower then continues to pay the series of payments according to the terms of mortgage product 10.

[0021] Advantageously, allowing a borrower to transfer the mortgage allows the borrower to reduce or eliminate many of the expenses associated with obtaining a new mortgage. Further, the borrower may maintain the mortgage interest rate in mortgage product 10 despite increases in interest rates prevailing in the market. The borrower may exercise portability option 16 to transfer mortgage product 10 to new housing as often as desired.

[0022] According to an exemplary embodiment, the portability option 16 may be configured such that the option may only be exercised during a defined period within the mortgage loan term. This limitation may be referred to as the portability option period. For example, terms of the mortgage product 10 may state that portability option 16 may only be exercised during the first 10 years of a 30 year mortgage, the first five years of a 15 year mortgage, etc.

[0023] In some instances, a borrower may need to obtain additional funds to pay for the second housing, for example where the amount obtained from the sale of the first housing is less than the purchase price for the second housing. Accordingly, the borrower may need to obtain a second loan for the second housing in the form of an additional lien or as an add-on to the first lien. Obtaining a second loan is also associated with additional costs such as inspection costs, attorney's fees, titles searches, etc.

[0024] Many of the costs associated with obtaining a second loan may be avoided or reduced if the borrower obtains the second loan from the lender that issued mortgage product 10. For example, the lender may have already performed and have a record of a title search, a home inspection, a credit check, etc. Accordingly, mortgage product 10 may include a clause providing that the borrower may obtain a second loan from the lender that provided mortgage product 10 at a percentage of the normal cost.

[0025] Mortgage product 10 may further include a clause requiring that the borrower obtain the second loan from the lender that issued mortgage product 10. The clause in mortgage product 10 may further specify that the second loan must be provided at no higher than the market rate available at the time of creation of the second loan in view of both the first loan and the second loan. For example, where the second loan in view the first loan and the second loan changes a loan to value ratio, the second loan may be provided at the market rate that is appropriate for that ratio. The clause in mortgage product 10 may also include an option for the lender to designate a substitute lender.

[0026] Mortgage loan interest rate 18 is the loan interest rate that is applied to the outstanding principal balance to determine the amount of interest that is owed by the borrower. According to an exemplary embodiment, mortgage loan interest rate 18 may include a configuration that sets forth variations in the mortgage loan interest rate, usually at defined rate increase points. The variation in the mortgage loan interest rate may be percentage changes, basis point changes, incremental changes, etc. The defined rate increase points are defined in mortgage product 10 and may occur at any time during the mortgage loan term, periodically, or according to a defined schedule. For example, mortgage loan interest rate 18 may initially be the market mortgage interest rate for a non-portable loan having the characteristics of the loan for mortgage product 10 and increase by 0.3% or 30 basis points after one year and another 0.3% for a total of 60 basis points after two years, and thereafter

remain fixed. The amount and timing of the mortgage loan interest rate increases may be set forth in a schedule in mortgage product 10.

[0027] Variations in the mortgage loan interest rate allow a lender to provide a mortgage product 10 having a initial interest rate that is low for a portable mortgage product and that increases over time. Advantageously, a borrower obtaining a loan under mortgage product 10 may refinance early in the mortgage loan term without incurring the higher interest rates. A borrower may seek to refinance if, for example, the borrower does not expect to move anytime soon, mortgage loan interest rates decrease, etc. Further, a low initial interest cost that increases over time allows borrowers with increasing income potential to purchase housing despite a low initial income.

[0028] The portability option 16 is explained in greater detail with reference to Fig. 2. Fig. 2 is a cash flow diagram showing operation of the mortgage product 10 according to one preferred embodiment including the portability option 16 and mortgage loan interest rate 18 wherein mortgage loan interest rate 18 is configured to increase at defined rate increase points. The cash flow diagram is shown from the perspective of the lender or other note holder; thus, arrows that are pointing down represent payments made by the lender and arrows that are pointing up represent payments received by the lender or other note holder. (As described in greater detail below, the lenders often sell mortgages to mortgage purchasers, and therefore the note holder in this context may be a mortgage purchaser.) Thus, the lender makes an initial advance of loan funds PR at the beginning of the loan. Thereafter, borrower payments BP are received from the borrower(s) at regular (e.g., monthly) intervals. At a first rate increase point 20 during the life of the loan mortgage loan, interest rate 18 is increased according to the schedule defined in mortgage product 10. At a second rate increase point 22 during the life of the mortgage loan, loan interest rate 18 is again increased according to the schedule defined in mortgage product 10. Preferably, the lender notifies the

borrower of each rate increase and the payment amount that is due based on the increased mortgage loan interest rate.

[0029] According to an exemplary embodiment, the portability option 16 may include at least one restriction on the borrower's ability to exercise portability option 16. The restrictions are defined in the mortgage product 10 or a state specific rider which specify the parameters for each restriction.

[0030] According to a first restriction, portability option 16 may include a requirement that the borrower not be delinquent in making loan payments prior to exercising the portability option. A delinquency can occur when a payment is due from the borrower and the borrower does not make the payment.

[0031] According to a second restriction, portability option 16 includes a limitation on the period during which portability option 16 may be exercised as described above with reference to Fig. 1. For example, the limitation may state that portability option 16 may only be exercised within the first fifteen years for a 30 year mortgage loan. Additional restrictions may further be applied such as a restriction on the types of housing (single-family, multi-family) to which mortgage product 10 may be transferred.

[0032] According to a third restriction, portability option 16 may include a requirement that any second loans be satisfied prior to or concurrently with exercising portability option 16. Alternatively, option 16 may include a restriction allowing a borrower to roll the second loan into the first loan.

[0033] According to a fourth restriction, portability option 16 may include a grace period during the exercise of portability option 16. For example, where a borrower sells the first housing, but has not yet purchased the second housing, portability option 16 may include a grace period of six months for the borrower to obtain the second housing. Portability option 16 may require that the funds from the sale of the first housing be placed in an escrow account.

Portability option 16 may further require satisfaction of the loan if the loan has not been transferred to a second or subsequent housing within the grace period. Alternatively, where a borrower obtains the second or subsequent housing prior to sale of the first housing, the borrower may be required to obtain a bridge loan prior to exercising portability option 16.

[0034] In the above description of Figs. 1-2, the entities described included a borrower 50 and a lender 66. In practice, a number of additional entities may be involved in one way or another in mortgage transactions involving the mortgage product 10, and these other entities also make use of the mortgage product 10. Some of these other entities are shown in Fig. 4.

[0035] Referring now to Fig. 3, Fig. 3 is a flowchart showing the sale and use of the mortgage product 10 by various entities, for example, as a means of income by accepting and/or managing the long term interest rate risk and/or credit risk of the mortgage product 10. In addition to the entities 50 and 66, also shown in Fig. 4 are a home seller 60, a realtor 62, a borrower financial institution 64, a lender 66, a mortgage broker 68, a mortgage purchaser 70, and a securities investor 72. It may be noted that, oftentimes, the same entity plays more than one of the roles shown in Fig. 3.

[0036] As shown in Fig. 3, the borrower 50 uses the mortgage product, and particularly the loan funds obligation 12, to obtain title to a home from a home seller 60. When the lender 66 sells the mortgage product 10 to the borrower 50, this obligates the lender 66 to provide loan funds for the purchase/refinancing of a home. The loan funds are transferred from the lender 66 to the home seller 60, which causes the home seller 60 to transfer the title to the home to the borrower 50. In the case of a refinancing, the mortgage product 10 is used to pay off an earlier loan.

[0037] In some instances, the mortgage product 10 may be sold for the lender 66 by a mortgage broker 58. The term "originator" is sometimes used to refer generically to the lender 66 and the mortgage broker 58. In other

instances, a realtor 62 may encourage the borrower 50 to obtain the mortgage product 10, because the mortgage product 10 provides the payment portability 16 which provides the borrower 50 with the ability to transfer mortgage product 10 to a second home and makes purchasing the first home more feasible for the borrower 50. Thus, the realtor 62 uses the mortgage product to help close the home sale. In another embodiment, the lender 66 may modify an existing loan to include the portability option 16.

[0038] Thereafter, the lender 66 or mortgage broker 68 uses the mortgage product 10, and particularly the borrower's obligation to repay the loan funds 14, as a basis for collecting payments from the borrower 50. An interest in the home is transferred from the borrower 50 and to the lender 66 to secure the borrower's obligation to repay the loan funds, and this results in a lien being recorded. The lien allows the lender 66 to foreclose on the home if the borrower's obligation to repay the loan funds 14 is not met.

[0039] In many instances, the lender 66 may sell the mortgage product 10 including the (previously satisfied) loan funds obligation 12 and the borrower's obligation to repay the loan funds 14 to a mortgage purchaser 70. The sale of the mortgage product 10 to the mortgage purchaser 70 allows the lender 66 to replenish its funds, thereby enabling it to make new loans to future borrowers. It is then the mortgage purchaser 70 that uses the mortgage product 10 as a basis for collecting mortgage payments from the borrower 50.

[0040] If the lender 66 wishes to be paid in the form of a mortgage backed security (MBS) rather than cash, then in addition to being a mortgage purchaser, the entity 70 may further be a mortgage securitizer. A mortgage securitizer is an entity that uses the mortgage product 10 to produce mortgage backed securities. The investor 72 in an MBS typically owns an undivided interest in a pool of mortgages that serves as the underlying asset for the security. As an MBS holder, the investor 72 receives a pro-rata share of the cash flows from the pool of mortgages. The mortgage purchaser 70

may further be a guarantor, that is, an entity that guarantees timely payment of principal and interest to the investor 72, whether or not there is sufficient cash flow from the underlying group of mortgages. The guarantor receives a fee for guaranteeing timely payment of principal and interest to the investor 72, and uses the mortgage product 10 as a basis for receiving such fees. In Fig. 4, the mortgage purchaser, securitizer, and guarantor are shown as being one entity, but these functions could also be performed by multiple different entities.

[0041] In many instances, the mortgage purchaser 70 may engage the services of a mortgage servicer 58 to collect and process mortgage payments from the borrower 50. In this capacity, the mortgage servicer 58 uses the mortgage product 10 as a basis for collecting payments from the borrower 50. The mortgage servicer 58 aggregates payments from a multitude of borrowers and forwards the aggregated payments to the mortgage purchaser 70. Typically, the mortgage servicer 58 retains a portion of the mortgage payment as a processing fee. The borrower payments may be collected from the financial institution 64 which may, for example, be the borrower's bank and which receives wage or other income of the borrower 50.

[0042] Referring now to Fig. 4, a computer system 75 usable to implement various features described herein is shown. The computer system 75 can include a variety of computer subsystems, including a computer system 80 associated with the borrower 50, a computer system 88 associated with the servicer 58, a computer system 96 associated with the lender 66, a computer system 98 associated with the mortgage broker 68, and a computer system 100 associated with mortgage purchaser/securitizer/guarantor 70. Each of the computer systems 80-100 may comprise a single computer including a microprocessor and memory with program logic and stored data to implement the features described herein, or may comprise multiple computers which are connected together, for example, by way of network (not shown). The computer systems 80-100 are coupled by way of a network 104, which is

shown to be a single network but which may in practice comprise one or more individual point-to-point connections and/or which may comprise one or more network connections, such as the Internet.

[0043] The lender computer system 96 and the mortgage broker computer system 98 may execute loan origination and/or loan underwriting software. In one configuration, the software executed by the lender computer system 96 and/or the broker computer system 98 is a web-based interface (e.g., a web browser) that communicates via the Internet with the mortgage purchaser/securitizer/guarantor computer system 100, and the computer system 100 executes the core algorithms that provide the functionality and logic of the origination/underwriting software. One purpose of the underwriting and origination software is to receive information to be used in loan underwriting and appraisal (e.g., information from a loan application and a credit report), analyze the information to determine if the loan meets credit risk and eligibility requirements of the mortgage purchaser/securitizer/guarantor 70, and then issue a recommendation based on the assessment of the overall risk profile of the loan.

[0044] The loan origination and underwriting software can also be used in connection with casefile management, that is, to provide an automated loan application to allow data to be imported/exported to a web-based version of the Uniform Residential Loan Application (Form 1003), to obtain on-line credit reports to enable auto-population of portions of the Form 1003, to maintain loan records and status information, and so on. The loan origination and underwriting software may also be used to generate reports that provide information regarding the underwriting recommendation for a particular loan, information used in determining the recommendation (including property, loan, and borrower information as well as the calculations), and information summarizing key statistics from the credit report (including information on the borrower's open accounts, derogatory accounts, and undisclosed accounts).

[0045] The computer system 75 may be used to electronically carry out the transactions described herein, including generating loan documents to be executed by the borrower having terms associated with portability option 16, and conducting other processing/transactions in connection with the mortgage product 10. This is described in greater detail in connection with Figs. 5-7. The documents that are generated may be electronic documents configured to be executed electronically, such as with a digital signature. Alternatively, the documents may be printed to create hard copy to be executed with handwritten signatures.

[0046] Referring now to Fig. 5, a loan process 210 is shown which is preferably carried out using aspects of the computer system 75. The loan process 210 may be used to provide one or more borrowers with information regarding eligibility for the mortgage product 10. At step 212, information pertaining to a desired loan amount and a desired payment period is received. At step 214, loan eligibility is determined for the mortgage product 10 and, at step 216, a response is transmitted indicating whether a borrower meets eligibility criteria for the mortgage product.

[0047] The loan process 210 may be performed for example by the lender computer system 96, the mortgage broker computer system 98, or by the mortgage purchaser computer system 100. For example, if the process 210 is performed by the lender computer system 96, the lender computer system 96 may receive (step 212) the desired loan amount and a desired payment period information either via the network 104 (e.g., if the borrower 50 is shopping on-line for a mortgage) or via a manual input device (if the borrower 50 is providing the information to an employee of the lender 66 during an in-person meeting or over the telephone).

[0048] Loan eligibility may be determined (step 214) by transmitting the loan information to the mortgage purchaser/securitizer computer system 100, which provides the origination/underwriting functionality. When a response is

received from the mortgage purchaser/securitizer computer system 100, this response is transmitted (step 216) to the borrower 50. When the process 210 is performed by the mortgage broker 58 instead of the lender 66, the process 210 is the same except that the mortgage broker computer system 98 is substituted for the lender computer system 96. When the process 210 is performed by the mortgage purchaser/guarantor computer system 100, the computer system 100 receives (step 212) the desired loan amount and a desired payment period information via the network 104 from the lender computer system 96, the mortgage broker computer system 98, or even directly from the borrower computer system 80, determines loan eligibility (step 214), and transmits the response back to the computer system from which the information was originally (directly or indirectly) received (step 216).

[0049] Information regarding multiple loans may also be provided to the borrower. For example, the borrower may be provided information about the mortgage product 10 which includes the portability option 16 and mortgage loan interest rate 18 (and therefore, will be determined to have a certain monthly payment) and another mortgage that does not include a portability option 16 and mortgage loan interest rate 18 (and therefore is determined to have a different, possibly lower, monthly payment). The process 210 may also be used to transmit other information in addition to eligibility information, such as information regarding specific aspects of the mortgage product 10. In another embodiment, the borrower 50 may also be permitted to configure the mortgage product 10 at this time to adjust any of the features of the mortgage product 10 described herein.

[0050] In one embodiment, loan eligibility is determined using an on-line originating/underwriting program made available by a mortgage purchaser on the secondary market, discussed above, or by a designated/approved system of the mortgage purchaser 70. For example, the underwriting program may approve loan eligibility based on factors such as credit scores, debt-to-income ratios, appraisal value, income verification, borrower contribution, cash

reserves of the borrower, the existence and amount of subordinate financing, and other factors.

[0051] Referring now to Fig. 6, another loan process 220 is shown which is also preferably carried out using the computer system 75. The loan process 220 may be used by the mortgage purchaser/securitizer 70 when purchasing the mortgage product 10 with cash or MBS. At step 222, a message is transmitted from the mortgage purchaser/securitizer computer system 100 to the lender computer system 96 which includes information pertaining to one or more mortgage products to be purchased. For example, the message may include information about funding to purchase a mortgage product or information relating to an MBS provided in exchange for the mortgage product. The funds may be the funds of the mortgage purchaser/securitizer 70. At step 224, information is received and stored at the mortgage purchaser/securitizer computer system 100 pertaining to the mortgage. The information may include the type of mortgage product that has been purchased, or a product or account number, which may directly or indirectly indicate that the mortgage includes the portability option 16 and mortgage loan interest rate 18. The information may also include any of the other loan parameters and borrower information described herein regarding the mortgage. This allows the mortgage purchaser/securitizer 70 to maintain records regarding the mortgages it has purchased and intends to keep in its portfolio, or to pool the mortgages for sale to securities investors.

[0052] Referring now to Fig. 7, another loan process 230 is shown which is also preferably carried out using the computer system 75. The loan process 230 may be used by the mortgage servicer 58 when the borrower 50 has indicated a desire to transfer mortgage product 10 to a new housing. At a step 232, a mortgage transfer request is received, e.g., via telephone (call center) or on-line, from borrower 50. Step 232 may be performed by the servicer computer sysem 88 if the notification is received electronically from the borrower financial institution 64 via the network 104.

[0053] At step 234, a determination is made whether the borrower 50 is eligible to exercise portability option 16. According to an exemplary embodiment, determining whether borrower 50 is eligible includes determining whether borrower 50 has been delinquent in any of the payments that were scheduled to be paid within the last 12 months and determining whether the request was received during portability option period. If the borrower 50 was delinquent or the portability option period has expired, the borrower is informed that they must have 12 months of no delinquencies and loan process 230 ends. If the borrower 50 is eligible, the mortgage loan product 10 is transferred to the new housing in a step 236.

[0054] In step 236, transferring the mortgage product 10 may include a plurality of steps to be completed by the borrower 50 and lender 66 that are not shown. Exemplary steps can include a home inspection, a closing, etc. According to an exemplary embodiment, mortgage product 10 specifies that the borrower 50 must only pay some portion of the costs associated with these steps as described above with reference to Fig. 1.

[0055] During the transfer, a determination is made in a step 238 whether the borrower 50 requires additional funds to purchase the second home, for example where the second home is more expensive than the first home. If additional funds are required, lender 66 may provide borrower 50 with a second loan including a second lien on the second home in a step 240. Preferably, the second loan is provided at the market mortgage interest rate. Alternatively, if less funds are required for purchasing the second home, the extra amount may be used to reduce the outstanding principal balance for mortgage product 10 or be refunded to borrower 10 and loan process 230 is configured to end.

[0056] Of course, in each of the above flowcharts, fewer or additional steps may be included depending on the implementation chosen. Additionally, although the steps are shown as being performed in a particular order, it will

be understood that some of the steps may be performed simultaneously or in a different order.

[0057] Preferably, borrowers are eligible for the mortgage product 10 if they are approved for a conforming mortgage through an approved lender, with no home inspection being required.

[0058] It should be appreciated, of course, that the details associated with the portability option 16 described herein merely represent one possible implementation. It may also be noted that these criteria, and the mortgage product 10 in general, may be embodied in one or more of the papers that are signed at closing, including the loan papers as well as various other related papers that are also signed as part of the overall loan.

[0059] Many other changes and modifications may be made to the present invention without departing from the spirit thereof. The scope of these and other changes will become apparent from the appended claims.